HOUSING MARKET INFORMATION

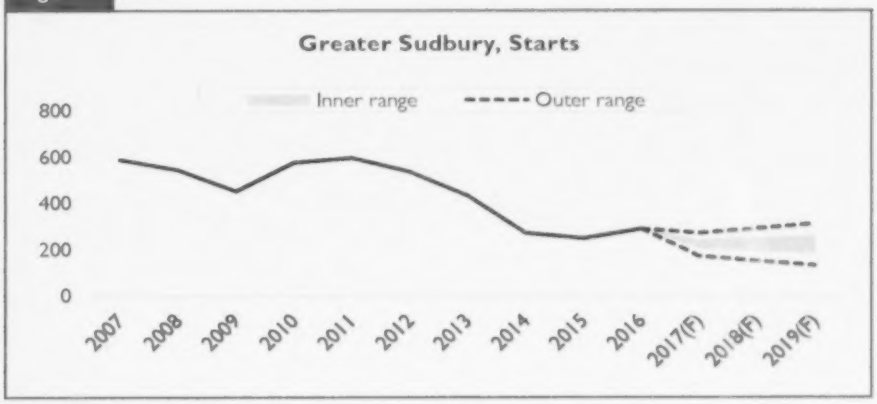
HOUSING MARKET OUTLOOK

Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

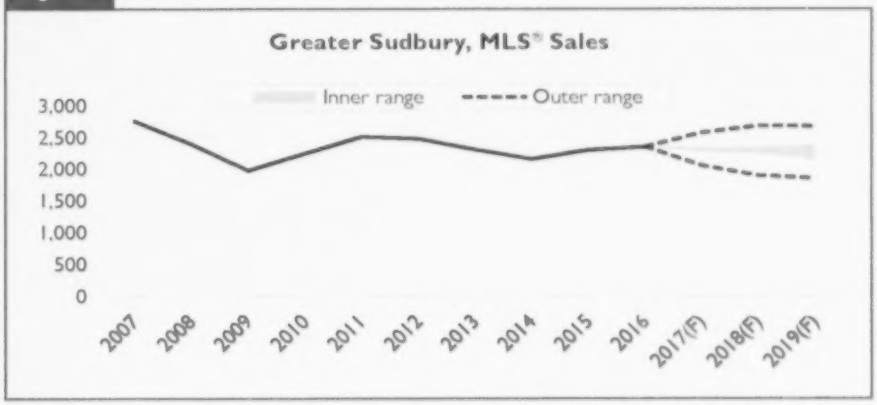
Date Released: Fall 2017

Figure 1



Source: CMHC (F) = CMHC Forecast

Figure 2



Source: CREA; (F) = CMHC Forecast; MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

Highlights[1]

- Total housing starts are expected to decline in 2017 and will remain at similar levels in both 2018 and 2019
- The resale market will be characterized by balanced market conditions over the forecast horizon resulting in prices growing close to or at the rate of inflation
- The average vacancy rate is expected to continue increasing through to 2019

New Ownership Market

New home starts in the Greater Sudbury Census Metropolitan Area (CMA) are expected to decline in 2017 and will remain at similar levels in 2018 and 2019; numbers approaching the lows of the early 2000s. Aside from weak economic and demographic fundamentals, competition from a balanced, well supplied resale market has been stifling new home construction. For these reasons, suppliers have been shifting their attention away from new home construction instead focusing on the renovation of existing homes.

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

Canada

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Economic and balanced resale market conditions are not expected to change considerably over the horizon keeping both single-detached and multi-unit starts relatively suppressed.

Existing Home Market

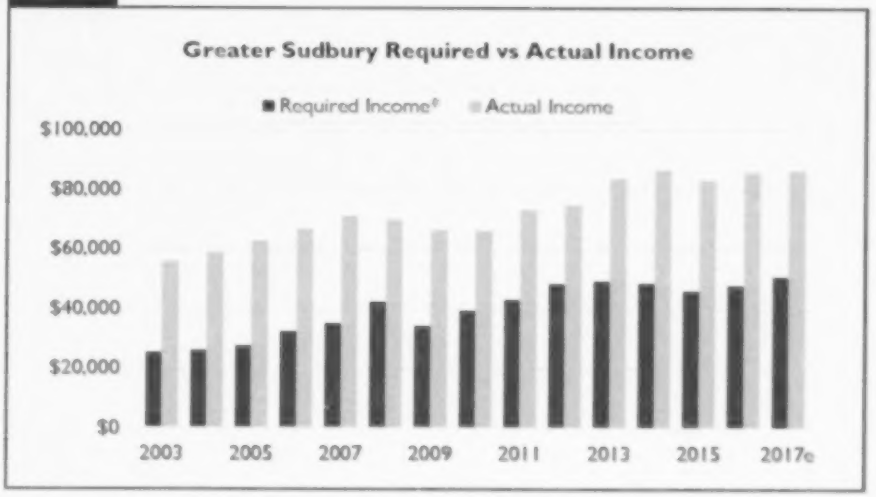
Sales in the Greater Sudbury CMA are expected to decline modestly over the horizon owing to declining demand and supply-side factors. Continued weakness in employment, especially within the age band of 25 to 44, will keep demand from first-time home buyers restrained. The transition into homeownership for this group has been made slightly more difficult with the required income to purchase a home outstripping the pace of actual income growth thus far in 2017. Market intelligence further suggests that increasing rents and a declining supply of homes accessible to this group also contribute to the challenge of entering into homeownership.

Despite remaining in balanced territory, the sales-to-new-listings ratio experienced two annual increases in the lead up to 2017 resulting in above inflation price growth; in fact, more than double the average growth looking back over the last 5 years. Higher price points may encourage some homeowners to list their homes exerting slight upward pressure on supply. In the face of waning demand, this increased supply will bring sales-to-new-listings back down to a level where it is expected to remain over the forecast horizon. Prices should therefore continue growing close to or at the rate of inflation.

Rental Market

The vacancy rate in Greater Sudbury is expected to continue its upward trend and increase slightly to 5.6% in 2017 as the supply of rental housing will outpace rental demand. Rates are forecast to increase again in 2018.

Figure 3



Source: CMHC, adapted from Statistics Canada, CREA; e = estimate
*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32% gross debt service ratio.
Mortgage carrying costs are calculated on the average MLS® price, a 10% down payment, the 5 year fixed mortgage rate and the longest available amortization.

A sizeable number of purpose-built rental apartments – 128 to be exact – were completed between July 2016 and June 2017 and will be included as part of the 2017 Rental Market survey. At least 122 units currently under construction may also be included in the 2018-2019 surveys. This above average rental apartment construction will outweigh the demand for rental accommodations, which will be supported by younger and senior households, as well as international migrants.

Economics and Demographics

Total employment in the CMA remained unchanged to the end of June compared to the same period last year. Further examination reveals a sizeable 4% year-over-year decline in full-time employment with most losses occurring in the services-producing sector. Weekly earnings have also not fared well, growing below the rate of inflation thus far in 2017. Employment is expected to fall slightly in 2017 and will remain relatively flat in 2018 and 2019. Net outflows as well as deaths continuing to outstrip births will result in minor declines to the population of the CMA over the horizon.

A potential bright spot for the local economy has been a recent provincial commitment to develop road infrastructure around the Ring of Fire mining camp. Sudbury's mining industry stands to gain from this development as nickel from the Eagle's Nest deposit will be processed in local smelters. That said, any economic benefits arising from this project will be tied to nickel prices which, due to global oversupply, have

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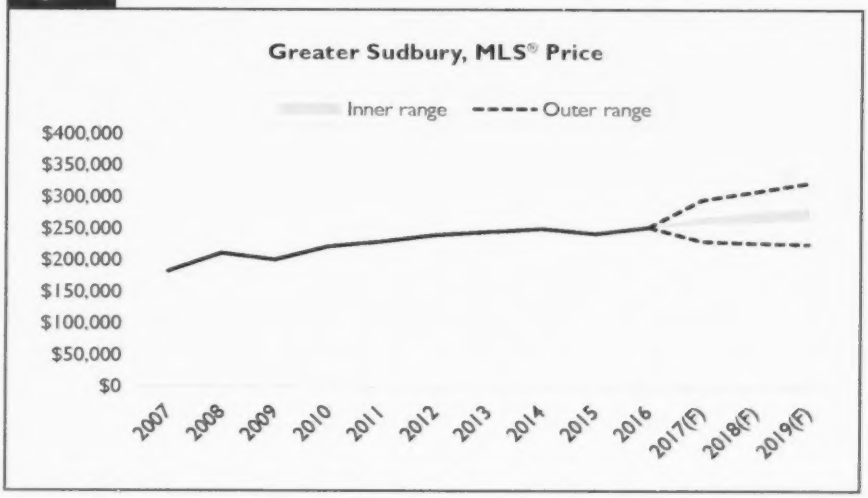
been weak relative to historic levels and will increase only modestly over the horizon according to consensus forecasts. These conditions were cause for the closure of Stobie Mine earlier this year and likely played a part in Vale's recent mandate to cease expansion of Nickel production.

Should metals prices rise unexpectedly, it is conceivable that prospective northern Ontario mineral projects, including the Ring of Fire, will come on stream at an accelerated rate. This will likely push starts, sales, and prices towards the higher end of our stipulated outer range forecasts. A sharp downturn in emerging market economies resulting in even weaker metals prices will have the opposite effect causing our forecasted variables to trend towards their lower outer range.

Figure 4



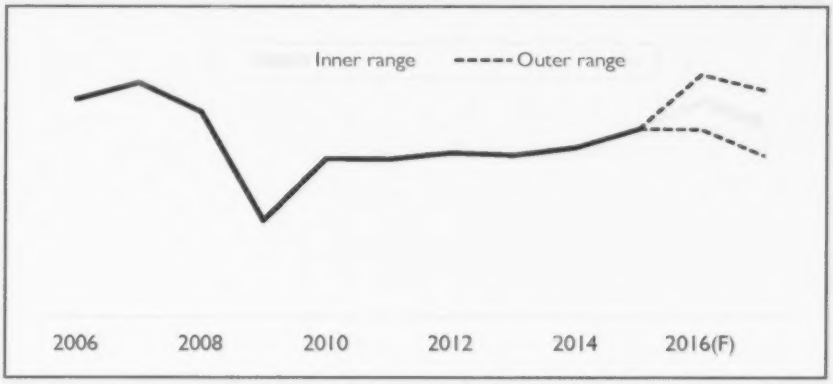
Source: CREA; (F) = CMHC Forecast; MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary
Greater Sudbury CMA
Fall 2017

	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	172	152	158	120	140	110	140	90	130
Multiples	99	95	131	80	100	80	110	90	130
Starts - Total	271	247	289	200	240	190	250	180	260
Resale Market									
MLS® Sales	2,156	2,300	2,352	2,270	2,330	2,240	2,340	2,150	2,370
MLS® Average Price($)	249,961	242,303	252,484	258,400	268,400	259,900	277,100	265,000	283,800
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	4.2	3.5	5.3	5.6	5.9	6.2
Two-bedroom Average Rent (October)($)	927	953	990	1,010	1,030	1,050
Economic Overview						
Population	165,808	165,527	165,536	165,500	165,450	165,400
Annual Employment Level	83,100	82,300	81,700	81,700	81,600	81,600

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, CREA(MLS®), CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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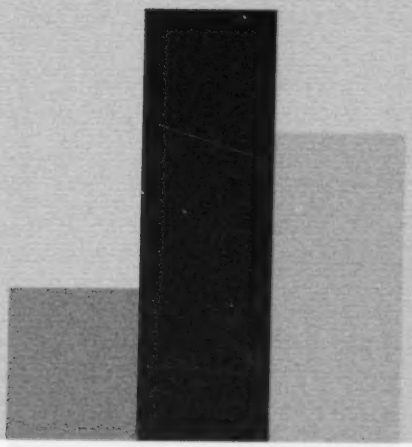

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- Housing Market Assessment
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